

# Financial Statements

CEE ACTIVE ASSET MANAGEMENT LTD.

31 December 2011

## Contents

Annual Activity Report	3
Members of the Board of Directors	5
Members of the Supervisory Board	6
Balance Sheet	7
Profit or Loss Statement	8
Cash Flow Statement	9
Notes to the Financial Reports	10
Company data	
General information	
Accounting policy	
Significant accounting policies	
Independent Auditor's Report	13

## **Annual Activity Report**

CEE Active Asset Management Ltd. has focused on enhancing its asset management activity in 2011, which was the first whole business year in the life of the company. The biggest share of the company's earnings in 2011 stemmed from portfolio management fees and other fee income relating asset management activity.

CEEAAM Ltd. has not established daughter companies and has not acquired other companies either in the last fiscal year.

### ***Human capital***

The Board of Directors still consists of three members: Mr Zsolt Szekelyhidi, Mr Andor Katzer and Ms Emilia Garas who coordinates the operations of the organization.

The number of employees increased on a small scale. There was no change in the front-office and in the back-office staff; new colleagues were hired in the IT and IT Security departments. In January 2011 the management named new director Mr Robert Paunoch responsible for running the Risk Management Department of CEEAAM Ltd.

### ***Business activity***

The optimism could be observed on the capital markets in the first semester began to fade in August and by the end of the year markets began to fall. The domestic market was especially hit hard by the risk avert investors. Despite the stormy markets in the second half-year the assets under management at CEEAAM topped in October. The FX exposure of the equity and fixed income trades were consistently left unhedged since the start of the year. The weakness of the HUF against the EUR and USD currencies played a major role in realising profit on the company's investments.

Although CEEAAM Ltd. reached remarkable yields on the client portfolios in November the country risk increased dramatically and that prompted some investors to withdraw funds from the managed portfolios. In the rest of the year a relatively high cash balance was kept in the portfolios to weather the storms on the equity and fixed income markets.

In 2011 CEEAAM Ltd. could book a profit of similar size as in 2010. The balance sheet of the company grew marginally.

### ***Expectations***

In 2012 the Board of Directors intends to present a new business strategy to the General Assembly. The new strategy is different from the previous one that was approved in 2010 that it does not include an aggressive expansive business policy with fast growing number of clients and assets. In the management's opinion financing a fast growth may incur unforeseeable risks for the company in a recessionary business climate that is seen to be lasting longer than previously expected. The new



two-year strategy focuses on offering better services and a wider range of products to its present client basis. The aim of the management is to sign longer-term portfolio management contracts with its customers – this would leave more room for more exotic derivative products in the portfolios. The company plans to adopt stricter cost control policies in 2012 – some of the IT tasks are going to be outsourced which means less total expenditures.

The market mood, the global risk appetite is going to determine mostly the results of 2012 – the international and domestic legal environment can also influence the profitability of CEEAAM Ltd. on a large scale.

### **Dividends**

The Board of Directors – similarly to 2010 – does not propose to pay any dividends after the results of the fiscal year of 2011. A higher level of retained earnings enables the company to comply easier with the HFSA's capital requirements in a difficult business year.

### **Auditor**

CEEAAM's Board of Directors proposes to the General Assembly to contract Első Magyar Audit Holding Könyvvizsgáló és Adótanácsadó Kft as the auditor of the company.

Budapest, 22.05.2012.

Chairman of the Board

Zsolt Székelyhidi

Member of the Board

Andor Katzer

## **Members of the Board of Directors**

*The Board of Directors of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Board of Directors were last elected at the General Meeting of 01 April 2010 for undetermined period of time.*

### **Mr Zsolt Székelyhidi (Chairman)**

*Appointed: 16 December 2009*

Mr Székelyhidi graduated from the Budapest Business School and also received a Bachelor of Business Studies degree of the University of Lincolnshire and Humberside. In 2002 he obtained the MSc degree of University of Pécs. Mr Székelyhidi started his career in 1999 at Central European International bank where he worked as an investment advisor responsible for domestic and foreign bond, equity and FX futures transactions of the clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Mr Székelyhidi speaks English and German besides Hungarian. In 2009 he founded CEE Active Asset Management holding presently 50% of the shares of the company and representing it as a managing director.

### **Mr Andor Katzer**

*Appointed: 1 April 2010*

Mr Katzer studied at the Budapest School of Economics and after successfully graduating he also earned a BA degree in Business Studies at the University of Lincolnshire and Humberside. In 2002 besides obtaining the MSc degree of University of Pécs he successfully finished the course of ELTE Institute of Post-graduate Legal Studies and received a Diploma in Legal Studies. From 1999 until 2009 Mr Katzer was working as an investment advisor at Central European International Bank (CIB) specialised in trading local and foreign assets on behalf clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Two years later Mr Katzer was appointed Head of Treasury Sales at CIB where he managed a team responsible for the bank's clients' fixed income and foreign exchange transactions. Mr Katzer has a good command of English, German, Italian and French languages. In 2010 he became co-owner and managing director of CEEAAM Ltd holding 50% of the company's shares presently.

### **Ms Emilia Garas**

*Appointed: 01 March 2011*

Ms Garas graduated at the University of Economics in Budapest. Before joining CEEAAM Ltd. Ms Garas filled different senior back office and settlement department positions at Hanwha Bank, OTP Garancia Insurance Ltd.



## **Members of the Supervisory Board**

*The Supervisory Board of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Supervisory Board were last elected at the General Meeting of 01 April 2010 for undetermined period of time.*

### **Mr Gábor Nagy (Chairman)**

*Appointed: 01 April 2010*

Mr Nagy is an economist who finished his studies at the Budapest University of Economics before graduating from the Budapest University of Technology and Economics (BME). Mr Nagy is co-owner and member of the management of Ramasoft Ltd, a company that is specialised in developing VAR based risk management software used by local banks and financial companies holding financial assets. Mr Nagy was previously member of the Board of Directors of CEEAAM Ltd.

### **Mr Norbert Narozsny**

*Appointed: 16 December 2009*

After graduating from the Budapest Business School Mr Narozsny filled various management positions in the real estate industry working as an economist. In 2006 Mr Narozsny cofounded Nagro Investment Ltd. an enterprise that offers investment advice to real estate development companies. Mr Narozsny holds the position of CEO at Nagro Investment Ltd.

### **Dr László Földvári**

*Appointed: 16 December 2009*

Dr Földvári, founder and head of the Földvári Law Firm, graduated "summa cum laude" in the Faculty of State and Legal Sciences of Eötvös Loránd University in 1994. After working as a trainee lawyer, he passed the bar exam, and started his practice as a private attorney-at-law registered at the Budapest Bar Association. In addition to the degree in law, he obtained a degree as an economist at the University Of Economic Sciences Of Budapest. He also graduated as a Specialist of European Law. Földvári Law Firm focuses on real property law, corporate law and the law of contracts. The company has also has extensive experiences in the field of Internet law, labour law and intellectual property law.

<b>BALANCE SHEET</b>	<b>NOTES</b>	<b>2010</b>	<b>2011</b>
<b>(AS AT 31.DEC.2010, IN THOUSAND HUF)</b>			
<i>I. Intangible Assets</i>		350	275
4. Trade-marks, patents and similar assets		350	275
<i>II. Property and equipment</i>		-	739
<i>III. Financial investments</i>		-	-
<b>A. Fixed Assets</b>		<b>350</b>	<b>1 014</b>
<i>I. Inventories</i>		-	-
<i>II. Liabilities</i>		4 252	4 679
5. other receivables		4 252	4 679
<i>III. Securities</i>		0	0
4. Other Securities		0	0
<i>IV. Cash and Cash equivalents</i>		570 479	586 687
2. Bank deposits		570 479	586 687
<b>B. Current assets</b>		<b>574 731</b>	<b>591 366</b>
<b>C. Accrued and deferred assets</b>		<b>71</b>	<b>1 190</b>
<b>TOTAL ASSETS</b>		<b>575 152</b>	<b>593 570</b>
<i>I. Share capital</i>		60 000	60 000
<i>II. Share capital unpaid</i>		-	-
<i>III. Capital reserve</i>		-	-
<i>IV. Retained earnings</i>		-18	2 894
<i>V. Tied-up reserve</i>		-	-
<i>VI. Revaluation reserve</i>		-	-
<i>VII. General reserve</i>		-	-
<i>VIII. Profit or loss for the year</i>		2 912	2 498
<b>D. Shareholders' equity</b>		<b>62 894</b>	<b>65 392</b>
<b>E. Provisions</b>		<b>0</b>	<b>0</b>
<i>I. Subordinated liabilities</i>		-	-
<i>II. Long-term liabilities</i>		-	-
<i>III. Current liabilities</i>		511 618	525 505
4. Accounts payable		1 674	409
5. Liabilities to customers		500 417	515 319
12. Other short term liabilities		9 527	9 777
<b>F. Liabilities</b>		<b>511 618</b>	<b>525 505</b>
<b>G. Accrued and deferred liabilities</b>		<b>640</b>	<b>2 672</b>
			22
2. deferred expenses		640	2 651
<b>TOTAL LIABILITIES</b>		<b>575 152</b>	<b>593 570</b>



<b>STATEMENT OF OPERATIONS</b> <b>(AS AT 31.DEC.2010, IN THOUSAND HUF)</b>	<b>NOTES</b>	<b>2010</b>	<b>2011</b>
<i>Comission</i>		19 371	110 239
<i>Gains on securities traded on prop. account</i>		-	-
<i>Corporate finance activities</i>		-	-
<i>Custodianship, safe-keeping and portfolio management activities</i>		14 028	272
<i>Other income</i>		870	1 082
<b>1. Revenue</b>		<b>34 269</b>	<b>111 593</b>
<i>Comission expenses</i>		-640	-14 131
<i>Losses on securities traded on prop. account</i>		-	-
<i>Expenses of corporate finance activities</i>		-	-
<i>Expenses of custodianship, safe-keeping and portfolio management activities</i>		-	-
<i>Other expenses</i>		-	-
<b>2. Expenses</b>		<b>-640</b>	<b>-14 131</b>
<i>Income from investment service activity</i>		34 629	111 593
<i>Expenses on investment service activity</i>		-640	-14 131
<b>I. Profit or loss of investment service activity</b>		<b>33 629</b>	<b>97 462</b>
<b>II. Other income</b>		<b>25</b>	<b>1</b>
<b>III. Profit or loss of non investment service activity</b>		<b>-</b>	<b>-</b>
<b>IV. Own performance capitalised</b>		<b>-</b>	<b>-</b>
<b>V. Material cost</b>		<b>25 519</b>	<b>67 839</b>
<b>VI. Staff costs</b>		<b>7 454</b>	<b>30 572</b>
<b>VII. Depreciation</b>		<b>25</b>	<b>235</b>
<b>VIII. Other operating charges</b>		<b>720</b>	<b>2 000</b>
<b>IX. Expenses of non investment service activity</b>		<b>-</b>	<b>-</b>
<b>A. Income from operations</b>		<b>-64</b>	<b>-3 183</b>
<b>X. Non distributing financial activity income</b>		<b>3 955</b>	<b>7 170</b>
<b>XI. Non distributing financial activity expenses</b>		<b>489</b>	<b>1 211</b>
<b>B. Profit or loss from financial transations</b>		<b>3 466</b>	<b>5 959</b>
<b>C. Profit or loss of ordinary activities (A+B)</b>		<b>3 402</b>	<b>2 776</b>
<b>XII. Extraordinary income</b>		<b>-</b>	<b>-</b>
<b>XIII. Extraordinary expenses</b>		<b>-</b>	<b>-</b>
<b>D. Extraordinary profit or loss</b>		<b>-</b>	<b>-</b>
<b>E. Profit before income tax (C+D)</b>		<b>3 402</b>	<b>2 776</b>
<b>XIV. Income tax payable</b>		<b>-490</b>	<b>-278</b>
<b>F. Profit after taxes</b>		<b>2 912</b>	<b>2 498</b>
<b>XV. Retained earnings and reserves</b>		<b>-</b>	<b>-</b>
<b>G. PROFIT OR LOSS FOR THE YEAR</b>		<b>2 912</b>	<b>2 498</b>



<b>CASH-FLOW STATEMENT</b>	<b>NOTES</b>	<b>2010</b>	<b>2011</b>
<b>(FOR THE YEAR ENDED 31.DEC.2010, IN THOUSAND HUF)</b>			
<i>Profit before income tax</i>		3 402	2 776
<i>Amortization</i>		25	235
<i>Accounted amortization and write-back</i>		-	-
<i>Loss on credit in foreign currency</i>		-	-
<i>Difference between provisions made for liabilities and actual use</i>		-	-
<i>Gains and losses on sale of invented assets</i>		-	-
<i>Change in account payable</i>		1 674	-1 265
<i>Change in other short term liabilities</i>		509 944	15 152
<i>Change in passive provisions made</i>		640	2 033
<i>Change in accounts receivable</i>		0	0
<i>Net change in current assets</i>		55 240	-427
<i>Change in active provisions made</i>		-71	-1 119
<i>Tax paid</i>		-490	-278
<i>Dividends paid</i>		-	-
<b>I. Net Cash flow from operating activities</b>		<b>570 364</b>	<b>17 107</b>
<i>Purchase of financial investments</i>		-375	-375
<i>Proceeds from sale of financial investments</i>		-	-
<i>Dividends received</i>		-	-
<b>II. Net Cash flow from investment activities</b>		<b>-375</b>	<b>-899</b>
<i>Proceeds from issuance of stocks</i>		0	0
<i>Proceeds from issuance of financial investments</i>		-	-
<i>Credits and loans received</i>		-	-
<i>Repayment, elimination of long-term loans, bank deposits</i>		-	-
<i>Liquid assets definitely</i>		-	-
<i>Retirement of stocks, withdrawal of capital</i>		-	-
<i>Repayment of bonds and securities representing credit</i>		-	-
<i>Repayment of credits and loans</i>		-	-
<i>Long term loans and bank deposits</i>		-	-
<i>Liquid assets transferred definitely</i>		-	-
<i>Changes in liabilities to founders and long-term liabilities</i>		-	-
<b>III. Net Cash flow from financing activities</b>		<b>0</b>	<b>0</b>
<i>Cash and Cash equivalents as at 1.JAN</i>		490	570 479
<i>Cash and Cash equivalents as at 31.DEC</i>		570 479	586 687
<b>IV. Net increase/decrease in cash</b>		<b>569 989</b>	<b>16 208</b>

## Notes to the financial reports

### Company data

Name of the company:	CEE Active Asset Management Ltd.
Address:	5. Rétköz str. Budapest H-1118 Hungary
Registered office:	5. Rétköz str. Budapest H-1118 Hungary
Date of founding:	16.12.2009 (registered: 30.12.2009)
Court registration number:	01-10-046560
Tax Identification number:	11714910-1-43
HFSA license number:	EN-III/63/2010
Main bank account number:	116000006-00000000-39310653

### General information

#### Ownership structure

#### Company founders / owners / changes in share capital

Owners:	Shares held:
Andor Katzer	3.000 pcs ( 50%)
Zsolt Székelyhidi	3.000 pcs ( 50%)

### Accounting policy

The company maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary. The company's functional currency is the Hungarian Forint (HUF).

Form of report:	Annual report
Form of Balance Sheet	„A” type Balance Sheet
Form of Profit or Loss account	„A” type – with expenditure (total cost) method
Date of Balance Sheet	31. December
Date of preparation of Balance Sheet	30. May (following year)



### Significant accounting policies

The company has prepared its accounting policies and accounting system in line with current regulations in order to show real picture on its profitability capabilities, capital, current and future financial status published in the annual report.

The company uses double book keeping system, preparing balance sheet and profit and loss account as well.

### Main evaluation principles

- Invested financial assets are registered at historical value in the books
- Liabilities are registered at historical value in the books
- Depreciation is written down on bad debts by the extent of expected loss
- Securities bought for sale are registered at historical value in the books
- Securities bought for sale are valued by FIFO method
- Liabilities are performed on book value in the balance sheet

### Financial condition

#### Assets of the company

Description	2010		2011	
	Amount thousand HUF	Share %	Amount thousand HUF	Share %
Fixed assets	350	0.06	1 014	0.17
Inventories	0	-	0	-
Liabilities	4 252	0.74	4 679	0.79
Securities	0	-	0	-
Liquid assets	570 479	99.19	586 687	98.84
Accrued incomes and deferred charges	71	0.01	1 190	0.20
<b>TOTAL ASSETS</b>	<b>575 152</b>	<b>100</b>	<b>593 570</b>	<b>100</b>

#### Liabilities of the company

Description	2010		2011	
	Amount thousand HUF	Share %	Amount thousand HUF	Share %
Capital and reserves	63 384	11.02	65 392	11.02
Provisions	0	-	0	-
Long term liabilities	0	-	0	-
Short term liabilities	511 128	88.87	525 505	88.53
Accrued incomes and prepaid charges	640	0.11	2 673	0.45
<b>TOTAL ASSETS</b>	<b>575 152</b>	<b>100</b>	<b>593 570</b>	<b>100</b>

The capital was increased by 2,498,000 HUF which equals to the retained earnings of the company for 2011.

The annual report was prepared by:	Mátyás Sólyom-Fekete / registered accountant
Registration number:	178931
The annual report was audited by:	Első Magyar Audit Holding Könyvvizsgáló és Adótanácsadó Kft. (Address: 2143 Kistarcsa, Deák Ferenc u. 10. / HSFA Registration Nr: PSZAF: E-I-149/2006. )
	Dr. Sarolta Fainné Kaszab / registered auditor
Registration number:	002570

Budapest, 22.05.2012.



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Zsolt Székelyhidi / Andor Katzer



Első Magyar Audit Holding Ltd  
2143 Kistarcsa, Deák Ferenc u. 8.sz.

INDEPENDENT AUDITOR'S REPORT  
To the Shareholders of CEE Active Asset Management zRt

**Report on the financial statements**

We have audited the accompanying financial statements of CEE Active Asset Management zRt („the Company”) which comprise the balance sheet as of 31 December 2011 (in which the balance sheet total is 593,570 tsd HUF, the profit per balance sheet is 2,498 tsd HUF), the related profit and loss account for the year then ended, and the notes to the financial statements including a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provision of the Accounting Act and accounting principles generally accepted in Hungary and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hungarian Standards on Auditing and with applicable laws and regulations in force in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

During our work we have audited the components and disclosures along with the accounting records and supporting documentation underlying the financial statements of CEE Active Asset Management zRt in accordance with the Hungarian Standards on Auditing and, on the basis of our audit work, we have gained sufficient and appropriate evidence that the financial statements have been prepared in

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accordance with the provision of the accounting law and with accounting principles generally accepted in Hungary. In our opinion, the accompanying financial statements give a true and fair view

of the financial position of CEE Active Asset Management zRt as of 31 December 2011, and of the results of its operations for the year then ended.

**Other reporting requirements regarding the business report**

We have examined the accompanying business report of CEE Active Asset Management zRt („the Company”) for the financial year of 2011.

Management is responsible for the preparation and fair presentation of the business report in accordance with the provision of the Accounting Act and accounting principles generally accepted in Hungary. Our responsibility is to assess whether or not the accounting information disclosed in the business report is consistent with that contained in the financial statements. Our work in respect of the business report was limited to checking it in within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. In our opinion the 2011. business report is consistent with the disclosures in the financial statements as of 31 December 2011.

Kistarcsa, 22 May 2012

ELSŐ MAGYAR AUDIT HOLDING  
KÖNYVVIZSGÁLÓ ÉS ADÓTANÁCSADÓ KFT



Dr Bernula Pál  
Partner

Chamber membership No.: 002184  
Első Magyar Audit Holding Kft



Dr Fainné Kaszab Sarolta  
registered auditor  
Registration No.: 002570